

## Transcript: What does climate have to do with pensions?

**Kim Brown:** Hello, and welcome to today's trustee talks. My name's Kim Brown, I'm the Pension Scheme Director for the Mastertrust. We've set up these videos to try and introduce you, our scheme members, to one of our trustees, and hear from them on a hot topic that they're focussing on.

And joining me today is Robert Thomas. Robert is a trustee on our Investment Committee and on our Governance, Risk and Audit Committee. And you've heard from us on previous trustee talks about how the trustees consider things like climate change and how companies treat their employees when making their investment decisions. And we've also talked to you about our commitment to net zero – reducing our carbon emissions by 2050. But this remains a really hot topic, and Robert, that's why you're here and joining me today. We want to hear a little bit more from you on what the trustees are doing to monitor progress against these climate objectives.

But before we jump into that really meaty topic, I wanted us to get to know you a little bit more. So, can you perhaps introduce yourself and speak a little bit more about yourself?

**Robert Thomas:** Hi Kim, yes indeed, and pleased to be here today. So I, um, used to be a biologist and when I was a research student, working on things like blue-green algae that grow in lakes and reservoirs, and I used to fish them out of lakes in Kenya and the Lake District and things, little did I think then that I'd end up being a pension trustee, working with the boards of seven different pensions schemes, including the L&G Mastertrust, which I do now!

**Kim Brown:** That sounds like a fascinating other life Robert, one that we can delve into off camera, but thanks for letting us know a little bit about that. So, is climate a particular – you know, a biologist in the background too – is climate a particular area of interest for you?

**Robert Thomas:** Well I think, um, I have a long-standing interest in things to do with the environment and ecology. And just this summer, I've been noticing in our own garden and the countryside around our home in east Kent, how, um, how different the vegetation is this year, when it's been such a wet summer, compared with the last few years, when it's been very dry. And that difference is really stark and, yeah, that's not climate change itself, but it just shows the sort of significance that volatility and climate can have, and I think that's what a lot of the concern is about at the moment.

**Kim Brown:** Yeah, absolutely. And remind us, what does climate have to do with pensions?

**Robert Thomas:** Well, if you take the really big picture, I suppose, when we invest our members' funds, we put those into buying shares in companies, or lending to companies, and that gives us a return. That's where the investment income from, comes from, that allows growth in the value of members' pension funds.

So, it's, where does climate play into that? Well, there's something like two trillion pounds worth of investment in UK pensions, and the power of that, if you can think of the power of that, to make a difference in terms of how that's invested and what companies that it's invested in are doing, it's really powerful. And Kim, this is something that the government, as you know, have really caught on to in a big way, and have brought in regulations requiring that large pension schemes look very carefully at this



matter of climate change and set some quite specific objectives around it. So, it's something that we as a trustee board want to do, and it's something that we have to do.

**Kim Brown:** Thanks Robert. And you mentioned there the UK government regulations, that climate is going to be a factor for all companies in the UK. And it's a really exciting time for pensions to be leading the way in this space. So, um, what are the trustees therefore doing?

**Robert Thomas:** Yeah, well, you're right, Kim, it is an exciting time. I guess there are two sides of the coin here. We've got opportunity, so there's an opportunity for us to look at situations where people are investing in things that are new technologies, part of the solution rather than part of the problem. And then there are also risks, and you know, the big risk is that climate change really gets out of control. But if you like, the pension fund risk is more around what we hold and what we own, and that we don't get left with the things that are losing value.

So we've taken time to work with L&G to set some targets so that we know what we're trying to achieve, particularly in terms of the net zero target and short, medium and long term, where we want to get to. And we've got metrics defined, to how we measure where we are on that journey. We'll be reporting back on that, so, um, that will be available to members, um, to see what we've been doing, and to the wider public, indeed, because it's really important.

**Kim Brown:** Excellent. And speaking of members, what does this mean for the members that are saving into our Mastertrust?

**Robert Thomas:** Well I think the big picture is that the members can be assured that the trustees are on the case here. We're taking climate into account, we're thinking carefully about it, we're taking measured steps, we're working very closely with L&G to make sure that members' interests are looked after in this context.

**Kim Brown:** Perfect. Thanks so much Robert, that was really really helpful. And I think that's the key message here, you know, that it's an important topic for all and one that the trustees are taking really seriously. And if members want to know more, you can go and look at our [ESG Hub](#), and we'll put a link on after the video, and you can also take a look at the trustees' [TCFD report](#).

Thanks again for joining me today.

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